



Friday, December 31, 2010

Melos and Making Financial Music Wealth Management and The Musical Flow of Money

My wife Sue and I recently returned from a cruise of the Greek Islands. While we were there, we had the opportunity to listen to local musicians in their colorful costumes sing and dance to the ancient Greek traditional music. Moved by the exuberance of the performers and the conductor, I could feel how one song melded into the next. This made me think of *melos*, the Greek word for song with its embodiment of the passion within the music, which truly makes a piece of music a work of art.

I couldn't help relating this to the subject of my book on *The Musical Flow of Money* with the interconnectedness among emotions, finance, and music as it relates to investors in transition.

Of course, the relationship between a financial advisor and his clients is also similar to the performance of a piece of music by a conductor of a symphony orchestra that breathes life into the work of a composer. The great composer Richard Wagner in his famous treatise "On Conducting" urged other conductors to listen to the *melos* of a composer's work. Wagner, after hearing a performance of the enigmatic Ninth Symphony of Beethoven, said that the orchestra had learned to look for the composer's melody in every bar. He said the *melos* was the inner song of the melody. It was the soul of the music being expressed.

The wealth management process—discussions about estate planning, portfolio management, taxes and insurance to name a few—becomes like a work of art similar to a musical composition. The financial advisor or wealth manager creates a wealth experience for a client who benefits both emotionally and financially through the interaction. I would like to think of this experience as ongoing, continually evolving as the life of an investor unfolds.

REGISTERED INVESTMENT ADVISOR

Paragon Capital Management 10 Edgewood Avenue Smithtown, New York 11787
PHONE (631) 863-2700 FAX (631) 863-2706 www.pcmwm.com

Indeed, the musical flow of money is a living, breathing wealth management process, a work of art in progress. When discussing financial matters, all aspects of wealth management—be it matters of estate planning, wills and trusts or the implication of the amount of tax increases we may expect in the future—possess a *melos*, which we at Paragon Capital Management wish to hear for each of our clients as we help you in reaching your future goals and objectives. Of course, this process can be adjusted to meet the ever-changing needs of our family structure (i.e. needing income for retirement or planning for college education).

I spoke in earlier client letters of the emotion and passion of music in the "space between the notes" of a musical composition. It is not just the notes that are played that create the sound. It is the silence or space between the notes that creates the *melos* of the music. Similarly, clients frequently overlook the emotions, or the *melos*, hidden in their finances by not examining the emotional framework surrounding their finances that forms a basis for making important financial decisions. Crunching numbers and simply relying on logical solutions to financial planning challenges may miss important considerations a client has to address before deciding on a future course of action. That is why as your wealth manager, I am engaged with all aspects of your financial experience. For example, comparing the individual investment returns of a client with a particular index such as the S&P 500 without including a discussion as to whether he can emotionally assume higher risk or whether a particular return will assist a client in reaching his goals is like a conductor who only performs the notes of a musical composition—conducting one passage after another with no feeling of the inner connectedness of the music.

The structure of the musical flow of money as a work of art means discussing choices, making changes, and gaining control. It provides guidelines to ensure we are in touch with our future goals and objectives. It is a living, breathing process that serves as a guideline when we face important financial challenges in our lives. It can also act as a paradigm shift in the way we process information by helping us realize that investments breathe as well. For example, if a client has a house worth 800k and an investment portfolio worth 1.2 million, his total net worth would be two million dollars. If only the portfolio declined in value by ten thousand dollars, the portfolio would have declined by 0.83 %. If we include the house, then the change in value would be a negligible half percent—not a material loss by any means and, more important, very unlikely to jeopardize his financial future.

The three stages of the musical flow of money are a system of learning, development and empowerment as we embark on life's journey. The benefits of choice, change, and control are the stepping-stones to *melos*—the heart of the song we create financially for ourselves, our families, and our loved ones. When our inner song flows with passion, our hearts will resonate with the safety and security for our future.

Paragon Capital Management Tidbits

We welcome new employee Neil Guarniere. He has an MBA from Hofstra University and is joining us as an Assistant Financial Planner. Tom Snively and his family are doing well; son Logan (15 months) is now walking. Sue and I are happy to announce the engagement of our oldest daughter Allison. The wedding date is October 2011.

From a compliance perspective, it is important to confirm the suitability of the investments chosen for our discretionary clients. Enclosed please find a "suitability mailer." This explains your individual stock and bond target allocations and associated investment objectives. Included as well are any constraints you have mentioned, such as personal holdings of individual stocks not to be sold. If any of this information is not accurate, please contact us. If we do not hear from you, then we will assume that the information is correct and that your investments are suitable for you at this time. We will mail this letter to you on an annual basis. Also enclosed is a copy of our privacy policy. Our form ADV Part II is available upon request.

I hope you find *melos* in all your endeavors this new year. Best wishes to you, your family and friends for a happy and healthy holiday season.



Walter Wisniewski, President
CERTIFIED FINANCIAL PLANNER™ practitioner
Paragon Capital Management

